

Message Text

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ACTION ARA-14

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COME-00 DODE-00 EB-08 DOE-15 H-02 INR-10 INT-05
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SP-02 SS-15 STR-07 TRSE-00 ACDA-12 DOTE-00 FMC-02
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UNCLAS QUITO 3173

E.O. 11652: N/A
TAGS: EWWT, EC
SUBJECT: TRANSFORMATION OF FLOPEC MARITIME LINE

1. THE GOE RECENTLY DECREED THAT THE MIXED-CAPITAL ECUADOREAN PETROLEUM FLEET (FLOPEC), WHICH HAS RESPONSIBILITY FOR THE MARITIME TRANSPORTATION OF PETROLEUM AND ITS DERIVATIVES (BOTH EXPORTS AND IMPORTS), WOULD BECOME A COMPLETELY STATE-OWNED ORGANIZATION. PREVIOUSLY OWNED 45 PERCENT BY THE JAPANESE FIRM KAWASAKI, AND 55 PERCENT BY THE ECUADOREAN STATE MERCHANT FLEET (TRANSHAVE), FLOPEC WILL COME UNDER 100 PERCENT TRANSHAVE CONTROL; BUT TRANSHAVE, WHICH DEALS MAINLY WITH GENERAL CARGO, WILL SUBSEQUENTLY ALLOW FLOPEC TO BUY BACK ALL OF THE SHARES OWNED BY TRANSHAVE. FLOPEC IS NOW ARRANGING FINANCING OVER A 10-TO-15-YEAR PERIOD TO PAY FOR THE SHARES.

2. FLOPEC CURRENTLY HAS TWO SERVICEABLE VESSELS, THE SANTIAGO AND THE ZAMORA, EACH ABOUT 32,000 METRIC TONS. TWO OTHER SHIPS, THE NAPO AND THE PASTAZA, ARE BEING SOLD FOR SCRAP. THERE ARE NO PRESENT PLANS TO PURCHASE NEW VESSELS.

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3. UNDER GOE LAW ALL PETROLEUM SHIPMENTS (INCLUDING TEXACO'S MUST BE TRANSPORTED ON FLOPEC BOATS, OR ON VESSELS THAT FLOPEC HAS CHARTERED, WITH ONE EXCEPTION AS FOLLOWS: IF A PETROLEUM PURCHASER OR SELLER CAN ARRANGE CHEAPER TRANSPORT (EITHER SELF-OWNED OR CHARTERED) THAN WHAT FLOPEC OFFERS, FLOPEC WILL PERMIT THE ARRANGEMENT IN RETURN FOR A FEE.

4. THE RECENT GOE DECREE ALSO GIVES FLOPEC THE POWER TO FORM ENTERPRISES THAT HAVE A DIRECT OR INDIRECT RELATION WITH FLOPEC'S OBJECTIVES, ESTABLISH BRANCHES AND/OR AGENCIES IN ECUADOR OR ABROAD, AFFILIATE ITSELF WITH DOMESTIC AND INTERNATIONAL NAVAL ORGANIZATIONS, AND ASSOCIATE ITSELF WITH DOMESTIC OR INTERNATIONAL NAVAL ENTERPRISES.

6. GOTARDO VALDIVIESO, A RETIRED REAR-ADMIRAL, ACTS AS GENERAL MANAGER OF FLOPEC. THE DIRECTORY OF FLOPEC WILL INCLUDE THE NAVAL COMMANDER AND FOUR OTHER MEMBERS DESIGNATED BY THE COMMANDER WITH THE ADVICE OF THE COUNCIL OF GENERAL OFFICIALS OF THE NAVY. ALL FLOPEC PERSONNEL ARE TO BE CONSIDERED CIVILIAN EMPLOYEES OF THE NAVY.

7. COMMENT: THE SHIFT FROM PARTIAL JAPANESE OWNERSHIP TO 100 PERCENT GOE OWNERSHIP APPARENTLY WAS DICTATED MAINLY BY NATIONAL SECURITY CONSIDERATIONS.
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